

DRAFT**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Telecommunications Division
Public Programs Branch**

**RESOLUTION T-16685
January 16, 2003**

R E S O L U T I O N

RESOLUTION T-16685. REVISION OF FISCAL YEAR 2002-2003
BUDGET AND SURCHARGE RATE FOR THE CALIFORNIA HIGH
COST FUND-B ADMINISTRATIVE COMMITTEE FUND ADOPTED IN
RESOLUTION T-16554

Summary

This resolution approves a revised budget of \$471.372 million for Fiscal Year (FY) 2002-03 for the California High Cost Fund-B (CHCF-B) program. This resolution also maintains the surcharge rate of 1.42% for the CHCF-B Administrative Committee (AC) Fund through January 31, 2003 and adopts a revised surcharge rate of 2.0% beginning February 1, 2003 until further revised by the Commission.

The revised budget shall apply to program expenditures for FY 2002-2003. The revised surcharge rate of 2.0% shall be assessed by telecommunications carriers on end-user billings rendered on February 1, 2003 and thereafter.

Background

On October 25, 2001, the California Public Utilities Commission (CPUC) in Resolution T-16554, adopted a budget of \$535.018 million for Fiscal Year (FY) 2002-03 for the CHCF-B AC Fund.

Table 1: Resolution T-16554 Summary (All Amounts in \$000)

	Resolution T-16554 (in thousands)
Claim Payments	\$531,000
Audits	\$1,810
Banking Fees	\$18
Committee Expenses	\$9
Admin Staff	\$151
Interagency Cost	\$2,030
Other Expenses	\$0
	\$535,018

Resolution T-16554 also adopted a surcharge rate of 1.42% effective July 1, 2002 for FY 2002-03 until revised by the Commission. This surcharge rate was developed based on a projected fund balance of \$335.157 million July 1, 2002, a projected total telecommunications billing subject to CHCF-B surcharge of \$15.873 billion, and approximately \$40.536 million fund balance at the end of the fiscal year, June 30, 2003.

Discussion

In this Resolution, the Commission adopts the following:

- The revised CHCF-B program budget for July 1, 2002 to June 30, 2003 in the amount of \$471.372 million.
- The maintenance of the existing surcharge rate of 1.42% until January 31, 2003.
- A revised surcharge rate of 2.0% beginning February 1, 2003 until further revised by the Commission.

The approved State Budget as enacted in Chapter 379 Statutes 2002 (2002 Budget Act) appropriates the amount of \$535.159 million for the CHCF-B for FY 2002-03. The State Budget Act requires the transfer of \$250.9 million from the CHCF-B fund to the State General Fund for FY 2002-03. These two developments require the Commission to revisit the Commission adopted FY 2002-03 budget.

Based on the telecommunications surcharge revenue remittances for the past FY 2001-02 and the forecast of the growth of such surcharge revenue remittances for FY 2002-03, the estimated intrastate billings subject to surcharge are estimated to be \$19.017 billion for FY 2002-03.

The CHCF-B revised budget for FY 2002-03 takes into account the projected CHCF-B draws by the CHCF-B claimants for FY 2001-02 and FY 2002-03 up to the appropriation authority. The budget is based on accrual accounting of revenues and expenses consistent with the State Budget process. Additional appropriation authority and funding authorization of \$37.624 million will be required to pay off remaining FY 2001-02 claims.

The existing CHCF-B surcharge rate of 1.42% is maintained until January 31, 2003. Since the transfer of \$250.9 million to the General Fund affects the CHCF-B program's June 30, 2003 ending cash balance, the surcharge rate is increased to 2.0% effective February 1, 2003 until further revised by the Commission. The maintenance of the surcharge rate at 1.42% until January 31, 2003 and its revision to 2.0% beginning

February 1, 2003 will be sufficient to fund the CHCF-B expenses of \$471.372 million. The estimated balance on June 30, 2003 is \$3.768 million.

Table 2 shows a comparison of the budget as adopted in Resolution T-16554 and the adopted revised budget.

Table 2: Summary Comparison of Prior and Adopted Budgets (All Amounts in \$000)

	Resolution T-16554 (in thousands) (A)	Increase/ Decrease (B)	2002-03 Budget Act (C)	Adopted Budget for FY 2002-03 (D) = (A) + (B)
Claim Payments (a)	\$ 531,000	\$ (62,000)		\$ 469,000
Audits	\$ 1,810	\$ 290		\$ 2,100
Banking Fees	\$ 18	\$ 84		\$ 102
Committee Expenses	\$ 9	\$ -		\$ 9
Admin Staff (b)	\$ 151	\$ (10)	\$ 141	\$ 141
Intergency Cost	\$ 2,030	\$ (2,030)		\$ -
Other Expenses	\$ -	\$ 20		\$ 20
Total	\$ 535,018	\$ (63,646)	\$ 535,159 (b)	\$ 471,372

(a) The reduction in estimated carrier claims reflects the FY 02-03 forecasts of CHCF-B claims by carriers.

(b) 2002-03 Budget Act adopts the administrative/staffing cost of \$141,000 and total amount of \$535,159,000

All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by January 27, 2003 revising the CHCF-B surcharge rate consistent with this Resolution.

Notice To Other Carriers, Advice Letter Filings, And Notice Of Availability

In Resolution T-15558 (dated June 8, 1994), we waived the notice requirements of General Order (G.O.) 96-A, Section III.G.1 to furnish competing utilities either public or private with copies of related tariff sheets. We did so because it did not appear to be in the public's interest for each utility to send and receive over two hundred notices advising them of regulatory changes about which they already know. Since that time nothing has happened to change our opinion, so we will waive this notice requirement for tariff changes which comply with this resolution.

The Telecommunications Division (TD) oversees the administration of several public programs. The surcharge rates for some of these programs will be revised effective February 1, 2003 based on the revised adopted FY 2002-03 budgets. For administrative efficiency, we will allow telecommunications utilities that are subject to the surcharges for these various programs to file concurrently revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before January 27, 2003. These advice letters shall become effective February 1, 2003.

In the past, the Commission has served a hard copy of this resolution on all telecommunications carriers and parties on the service list of I.87-011-033. To be consistent with the Commission's commitment to utilize the Internet for distributing Commission orders and information, the TD has informed the telecommunications carriers and those on the parties of record in R.95-01-020 / I.95-01-021 on the availability of the draft resolution as well as the conformed resolution, when adopted by the Commission, on the Commission website, www.cpuc.ca.gov.

Comments

In compliance with PU Code § 311 (g), the draft of this Resolution was mailed on November 5, 2002 to the CHCF-B claimants, the CHCF-AC, and the parties on the parties of record in R.95-01-020 / I.95-01-021. A copy of the cover letter of this mailing was also sent to each of the Commission certificated telecommunications carriers informing parties that this draft resolution is available at the Commission's website www.cpuc.ca.gov/static/industry/telco/resolutions/index.htm, and is available for public comment. In addition, the TD informed these parties of the availability of the conformed resolution at the same website.

TD received no comments on this resolution.

Findings

1. On October 25, 2001, the California Public Utilities Commission approved Resolution T-16554 adopting a California High Cost Fund-B (CHCF-B) Administrative Committee (AC) Fund Budget of \$535.018 million for Fiscal Year (FY) 2002-03 and a surcharge rate of 1.42% effective July 1, 2002 until further revised by the Commission.
2. Chapter 379 Statutes 2002 (2002 Budget Act) appropriates the amount of \$535.159 million for FY 2002-03 for the CHCF-B fund.
3. The approved State Budget required the transfer of \$250.9 million from the CHCF-B fund to the State General Fund for FY 2002-03.
4. Based on the average reported telecommunications revenues subject to surcharges in recent months annualized and the forecast of such surcharge remittance revenues, the estimated intrastate billings subject to surcharge are revised to \$19.017 billion for FY 2002-03.
5. The CHCF-B revised budget for FY 2002-03 considers the projected CHCF-B draws by the CHCF-B claimants for FY 2002-03.

6. The revised CHCF-B program budget for FY 2002-03 in the amount of \$471.372 million is reasonable and should be adopted.
7. The existing surcharge rate of 1.42% should remain in effect until January 31, 2003.
8. A revised surcharge rate of 2.0% should be implemented beginning February 1, 2003 until further revised by the Commission.
9. The telecommunications carriers are not required to notice competing utilities for tariff changes that comply with this decision.
10. The Telecommunications Division (TD) oversees the administration of several public programs. The surcharge rates for some of these programs will be revised effective February 1, 2003 based on the revised adopted FY 2002-03 budgets. To maximize administrative efficiency, TD will allow telecommunications utilities that are subject to the surcharges for these various programs to file simultaneously revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before January 27, 2003. These advice letters shall become effective February 1, 2003.
11. All certificated telecommunications carriers required to file tariffs with the Commission should file advice letters by January 27, 2003 revising the CHCF-B surcharge rate consistent with this Resolution.
12. The draft of this resolution was mailed to the CHCF-B claimants, the CHCF-AC, and the parties of record in R.95-01-020 / I.95-01-021 on November 5, 2002. A copy of the cover letter of that mailing was also sent to each of the Commission certificated telecommunications carriers advising them of the availability of this draft resolution and the conformed resolution, when adopted by the Commission on the Commission's web site.
13. The Telecommunications Division received no comments on this resolution.

THEREFORE, IT IS ORDERED that:

1. The revised budget for the California High Cost Fund-B (CHCF-B) for Fiscal Year (FY) 2002-03 of \$471.372 million, as set forth in Appendix A of this resolution, is adopted.
2. A surcharge level of 1.42% shall remain in effect until January 31, 2003.
3. A surcharge level of 2.0% is adopted beginning February 1, 2003 until further revised by the Commission. All certificated telecommunications carriers in

California shall apply this surcharge rate on their end-users' bills rendered on or after February 1, 2003.

4. To maximize administrative efficiency, TD will allow telecommunications utilities that are subject to the surcharges for these various programs to file simultaneously revised tariff schedules in compliance with resolutions and decisions revising these surcharges for FY 2002-03 in accordance with the provisions of G.O. 96-A on or before January 27, 2003. These advice letters shall become effective February 1, 2003.
5. All certificated telecommunications carriers required to file tariffs with the Commission shall file advice letters by January 27, 2003 revising the CHCF-B surcharge rate to 2.0% to take effect on February 1, 2003. Telecommunications carriers are not required to inform competing carriers of tariff changes which comply with this resolution.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 16, 2003. The following Commissioners approved it:

WESLEY M. FRANKLIN
Executive Director

APPENDIX A
CALIFORNIA HIGH COST FUND B ADMINISTRATIVE COMMITTEE FUND
PROGRAM BUDGET FOR FY 2002-03

CALIFORNIA HIGH COST FUND-B ADMINISTRATIVE COMMITTEE FUND
REVISED PROGRAM BUDGET FOR FY 2002-03
(IN \$000)

		Resolution T-16554	TD Proposed	Adopted	Note
	FY 02-03 TELECOMMUNICATIONS REVENUE SUBJECT TO SURCHARGES	\$ 15,873,000	\$ 18,000,000	\$19,017,199	
	SURCHARGE RATES				
	Jul 1, 2002 through Dec 31, 2002	1.42%	1.42%	1.42%	
	Jan 1, 2003 through Jan 31, 2003	1.42%	1.42%	1.42%	
	Feb 1, 2003 through Feb 28, 2003	1.42%	1.42%	2.00%	1
	March 1, 2003 through June 30, 2003	1.42%	4.50%	2.00%	
1	BEGINNING FUND BALANCE	\$ 335,157	\$ 307,421	\$ 443,972	2
2	PRIOR PERIOD ADJUSTMENTS:				
a	01-02 Revenues Received in 02-03 (per receipts thru 10/30/02)			\$ 48,551	
b	01-02 Appropriation Balance (Per Certification of Year-End 6/30/02 Financial Report)			\$ (85,741)	3
3	REVISED BEGINNING FUND BALANCE (Sum of Ln 1 and Ln 2)	\$ 335,157	\$ 307,421	\$ 406,782	
4	TRANSFER TO GENERAL FUND (Pursuant to 2002 Budget Act)		(\$250,900)	\$ (250,900)	4
5	FUND AVAILABLE FOR FY 02-03 (Sum of Ln 3 and Ln 4)	\$ 335,157	\$ 56,521	\$ 155,882	
6	REVENUES (FY 02-03)				
a	Surcharges (per telecommunications revenue on LnA and surcharge rates on Ln B)	\$ 225,397	\$ 441,900	\$ 316,002	
b	Investment Income (per monthly projected cash flow)		\$ 14,603	\$ 3,255	5
c	Others	\$ 15,000			
d	Total 02-03 Revenues (sum of a thru c)	\$ 240,397	\$ 456,503	\$ 319,257	
7	PROGRAM EXPENSES (FY 02-03)				
a	Carrier Claims	\$ 530,000	\$ 468,000	\$ 468,000	6,7
b	Interest for Untimely Payment	\$ 1,000	\$ 1,000	\$ 1,000	8
c	Other Program Services				
d	Other Legislative Mandated Programs				
e	Administrative Committee-Per Diem	\$ 4	\$ 4	\$ 4	
f	Administrative Committee-Travel and Others	\$ 5	\$ 5	\$ 5	
g	Financial Audit	\$ 10	\$ 100	\$ 100	
h	Compliance Audit	\$ 500	\$ 500	\$ 500	
i	Surcharge Remittance Audit	\$ 400	\$ 600	\$ 600	
j	Claim Audit	\$ 900	\$ 900	\$ 900	
k	Banking Fees	\$ 18	\$ 102	\$ 102	
l	CPUC Staff and Administrative Costs	\$ 151	\$ 141	\$ 141	
m	Data Processing		\$ 20	\$ 20	
n	Intragency Cost	\$ 2,030			
o	Total Program Expenses (sum of a thru m)	\$ 535,018	\$ 471,372	\$ 471,372	
8	FUND BALANCE AS OF JUNE 30, 2003 (Ln 5 + Ln 6d - Ln 7n)	\$ 40,536	\$ 41,652	\$ 3,768	

Notes:

1. Surcharge rate for FY 2002-03 as adopted in this Resolution takes effect on Feb 1, 2003 until further revised by the Commission.
2. Per CPUC Certification of Year-End 6/30/02 Financial Report.
3. Financial liability for FY 2001-02 is \$123.365 million. Remaining appropriation level for FY 2001-02 is \$85.741 million. Additional appropriation and funding for \$37.624 million will be required.
4. The amount of \$250.9 million was transferred to the General Fund in accordance with Chapter 379 Statutes 2002 (2002 Budget Act).
5. Investment income is assumed at approximately 4.5% on average monthly balance.
6. Includes \$11.5 million payment pursuant to Decision (D.) 00-11-039, Ordering Paragraph #2
7. Estimated claim payments to Pacific Bell, Verizon of California, Citizens Telecommunications Company of California, and COX Communications.
8. D.98-01-023 ordered that interest be paid to carriers whose claims are not processed within the prescribed time.

